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Medical Economics

Physician Fee Indices in California and The U.S. Through June 1971

A Socio-Economic Report of the Bureau of Research and Planning, California Medical Association

■ *California physicians' fees increased 2.2 percent in the first half of 1971, according to figures compiled by the Bureau of Research and Planning. Nationally, physicians' fees increased at a faster rate of 3.4 percent during the same period.*

This was the slowest semi-annual increase in the California Index since the final six months of 1968 when fees increased only 2.0 percent. A decline was also recorded in the rate of price increase for other goods and services in the first half of 1971. Nationally, the "all items" increase amounted to 2.0 percent, and the service component rose 2.1 percent.

Also included in this Report *is special information on the charging patterns of physicians for office and hospital visits and data on physicians' fees in the Los Angeles and San Francisco Metropolitan Areas.*

The California Physician Fee Index is a continuing survey conducted by the CMA Bureau of Research and Planning since 1962. The survey questionnaire which lists 26 medical, surgical, radiological, and laboratory procedures, elicits fee information from approximately 1,000 randomly selected physicians. Since June 1970, the procedures on the questionnaire have been listed according to the coding nomenclature used in the 1969 edition of the Relative Value Studies, *published by the California Medical Association. Prior to that, the 1964 edition was used to delineate the procedure being surveyed.*

CALIFORNIA PHYSICIANS' FEES increased 2.2 percent in the first half of 1971. Nationally, the U.S. Bureau of Labor Statistics reported that physicians' fees increased at a considerably faster rate of 3.4 percent during the same period. As has been explained in previous issues of *Socio-Eco-*

Reprint requests to: CMA Bureau of Research and Planning, 693 Sutter Street, San Francisco, Ca. 94102.

TABLE 1.—*Selected Semi-Annual Figures from the U.S. Consumer Price Index and the California Physician Fee Index with Percentage Increases, December 1965-June 1971 (Dec. 1965=100)*

Month and Year	United States												California Physicians' fees	
	Consumer prices (all)		Services		Medical care		Physicians' fees		Dentists' fees		Hospital services			
	Index	% Increase	Index	% Increase	Index	% Increase	Index	% Increase	Index	% Increase	Index	% Increase	Index	% Increase
Dec 1965	100.0	—	100.0	—	100.0	—	100.0	—	100.0	—	100.0	—	100.0	—
Jun 1966	101.7	1.7	102.2	2.2	102.7	2.7	103.8	3.8	101.8	1.8	104.6	4.6	103.2	3.2
Dec 1966	103.4	1.7	104.9	2.6	106.6	3.8	107.8	3.9	104.6	2.8	116.5	11.4	105.9	2.6
Jun 1967	104.5	1.1	106.8	1.8	110.1	3.3	111.4	3.3	106.8	2.1	127.3	9.3	107.9	1.9
Dec 1967	106.5	1.9	109.0	2.1	113.4	3.0	114.4	2.7	110.0	3.0	134.4	5.6	110.1	2.1
Jun 1968	109.1	2.4	112.2	2.9	116.6	2.8	117.5	2.7	112.9	2.6	142.7	6.2	112.5	2.2
Dec 1968	111.6	2.3	115.7	3.1	120.5	3.3	120.9	2.9	115.6	2.4	152.1	6.6	114.7	2.0
Jun 1969	115.1	3.1	120.1	3.8	125.3	4.0	126.0	4.2	121.4	5.0	161.2	6.0	117.4	2.4
Dec 1969	118.4	2.9	124.3	3.5	127.7	1.9[1]	129.7	2.9	124.3	2.4	170.2	5.6	120.9	3.0
Jun 1970	122.0	3.0	130.0	4.6	132.9	4.1	135.6	4.6	127.8	2.8	180.6	6.1	126.2	4.4
Dec 1970	124.9	2.4	134.6	3.5	137.0	3.1	140.2	3.4	131.1	2.6	193.2	7.0	129.7	2.8
Jun 1971	127.4	2.0	137.4	2.1	141.8	3.5	145.0	3.4	135.6	3.4	204.2	5.6	132.5	2.2

[1] Inordinately low figure attributable to statistical adjustment rather than change in trend.

nomic Report, these two indices are not strictly comparable; nevertheless, they are both sufficiently broad measurements to be used as representing changes in fees charged by physicians. A difference in the two measures strongly suggests that variation exists in the pattern of change in physicians' fees.

The California increase was the smallest since the last half of 1968 when fees rose only 2.0 percent. Also, this recent increase is just half of that recorded for California in the first six months of 1970 (4.4 percent) and considerably less than the 2.8 percent increase during the last six months of 1970.

Nationally, the increase in physicians' fees of 3.4 percent for the first half of 1971 was exactly the same as had been reported by the BLS for the previous six-month period. This rate of increase is considerably slower, however, than the 4.6 percent increase in the first half of 1970.

Nationally, physicians' fees were recorded as having increased 8.1 percent in 1970. This was the highest 12-month increase ever reported for this index. During the same year, the medical care component of the CPI increased 7.3 percent, the highest annual rate of increase since 1947. Similarly, the California Physician Fee Index increased 7.3 percent in 1970; this was the highest increase reported since the Index was started in 1962. Index figures and semi-annual changes for physicians' fees and other components of the Consumer Price Index are contained in Table 1.

Price Changes of Other Indices

The all items index of the CPI increased at a slower rate (2.0 percent) in the first half of 1971 than in any six-month period since the final six months of 1967. The semi-annual increases in the all items index have been steadily decelerating since the first half of 1969 when all goods and services increased 3.1 percent. Hence, the CPI increased at a slower rate in 1970 (5.5 percent) than in 1969 (6.1 percent).

The all services index, which can provide a frame of reference for evaluation of physicians' fees, increased only 2.1 percent in early 1971. This index did, however, increase at a much faster rate (8.2 percent) than physicians' fees (7.3 percent) in 1970.

The medical care component of the CPI has not followed the behavior of the all items index. As can be seen in the table, in the first six months of 1971 the medical care component increased at a faster rate of 3.5 percent than in the previous semi-annual period (3.1 percent). Furthermore, the 1970 increase in the medical care component of 7.3 percent was considerably higher than the 6.0 percent increase in 1969.

In the first six months of 1971, the rate of increase in daily hospital charges, similar to the all

items index, decelerated to 5.6 percent from a 7.0 percent increase in the second half of 1970. Throughout 1970, however, hospital charges followed the pattern of the medical care component and increased at a much faster rate (13.5 percent) than in 1969 (12.0 percent).

Dentists' fees increased at the same rate as physicians' fees (3.4 percent) in early 1971. This was a higher increase in dentists' fees than the two previous semi-annual periods (2.8 percent in the first half of 1970 and 2.6 percent in the second half of 1970).

Special Tabulations Test Physician Understanding of RVS

The Physician Fee Index survey questionnaire uses the key words "brief" and "limited" to distinguish a physician visit for a relatively simple problem requiring a short period of time from one which may include a brief or interval history, examination, discussion of findings and/or rendering of services. In terms of their "relative values" the former procedure is listed at 12.0 and the latter at 16.0 units of value when performed in an office and 20.0 units in a hospital. These distinctions are contained in the 1969 California *Relative Value Studies.*

In the course of analyzing the June 1971 Physician Fee Index, special information was prepared to evaluate physicians' understanding of these distinctions as reflected in their charging practices. Table 2 contains comparisons of usual charges indicated by physicians for brief and limited, office and hospital visits.

Billing Practices, 1969 RVS *Often Differ*

Of those physicians participating in the Physician Fee Index Survey, 400 listed fees for both a brief *and* a limited office visit. In spite of the definitions and varying unit values in the 1969 *RVS,* nearly one-third (32.8 percent) of these physicians indicated that they charge the same amount for a brief office visit as they do for a limited office visit. Furthermore, 5.0 percent of these 400 physicians charged more for a brief office visit than a limited visit. Similarly, of 363 physicians who listed fees for both brief and limited hospital visits, 32.5 percent charge the same for both types of visits and 7.2 percent charge more for a brief hospital visit than a limited hospital visit. These patterns suggest that not all physicians understand the nuances of difference intended between these levels of service.

TABLE 2.—*Comparisons of Usual Charges Indicated By Physicians for Certain Types of Visits, California, June 1971*

Comparison		*Percent of Physicians Indicating:*		
		Higher Charge	*Same Charge*	*Lower Charge*
Brief vs. limited visit:	Office	5.0%	32.8%	62.2%*
	Hospital	7.2	32.5	60.3*
Brief office vs. brief hospital visit		3.7	34.7*	61.6

*Represents 1969 *RVS* relationship

Hospital Visits More Costly than Office Visits

A comparison of the fees charged by 380 California physicians for a brief office visit and a brief hospital visit shows the majority (61.6 percent) charge more for the hospital visit than the office visit. The 1969 *RVS,* however, reflects a pattern of charges which valued a brief hospital visit and a brief office visit equally. This suggests that physicians' charging patterns have changed somewhat since the 1969 *RVS* was developed.

CMA Compiles Indices for Metropolitan Areas

The CMA Bureau of Research and Planning has in the past compiled only a statewide Physician Fee Index. In this survey period, however, index figures for the Los Angeles and San Francisco Metropolitan Areas were also developed.[1] Approximately 180 physicians in the Los Angeles area and 100 physicians in the San Francisco area provided the data for these index figures. Areawide figures may become a regular feature of this continuing survey.

The California Physician Fee Index Survey showed physicians' fees in the San Francisco Metropolitan Area increased 2.7 percent between December 1970 and June 1971; fees in the Los Angeles area increased 2.1 percent during the same period. The Bureau of Labor Statistics reported increases of 4.9 percent for the San Francisco area and 3.8 percent for the Los Angeles area.[2] Index figures for the two metropolitan areas and California are contained in Table 3.

[1] The Los Angeles Metropolitan Area includes Los Angeles and Orange counties. The San Francisco Metropolitan Area includes San Francisco, Contra Costa, Alameda, Marin, San Mateo, and Solano counties.

[2] As noted earlier, the two indices are not exactly comparable; this undoubtedly accounts for part of the variation in rates of increase reported by the BLS and the CMA. The two indices can be utilized, however, for comparing general trends. Briefly, the BLS index is based on seven procedures, including four types of physicians' visits and three surgical procedures. As mentioned above, the CMA index is based on 26 procedures. There are also variations in the number of physicians surveyed for each index.

TABLE 3.—*Semi-Annual Increases in Physicians' Fees, as Reported by the U.S. Bureau of Labor Statistics and the California Medical Association*

Source/ /Region	1969		1970		1971
	June	*December*	*June*	*December*	*June*
US Bureau of Labor Statistics:					
Los Angeles	3.7%	5.8%	5.7%	1.3%	3.8%
San Francisco	1.3	3.4	5.3	2.7	4.9
California Medical Association:					
Los Angeles	N/A	N/A	N/A	N/A	2.1
San Francisco	N/A	N/A	N/A	N/A	2.7
California	2.4	3.0	4.4	2.8	2.2

Impact of Wage-Price Freeze

Although the total effect of the wage-price freeze is still not evident, the rapid increase in medical care costs experienced in 1970 and early 1971 should not continue throughout 1971. When the wage-price freeze ends on November 13, the President's Committee on the Health Services Industry will play an advisory role in anti-inflationary measures within the health care industry. This combination of the wage-price freeze and the anti-inflationary measures taken by the government in Phase II of the President's economic plan should at least stabilize health care costs in the second half of 1971.

IPPB FOR ACUTE CROUP

Ten years ago anesthesiologists at Primary Children's Hospital began treating the acutely obstructed croup patient with intermittent positive pressure breathing (IPPB) and nebulized racemic epinephrine. When the literature began to report sequelae from nasotracheal intubation and lack of efficacy of steroids, we decided to review our ten-year experience using IPPB. The efficacy of this treatment has been vividly apparent to us from the beginning since the results are immediate and the improvement is dramatic. There is no difficulty recognizing whether the treatment is effective.

We have conducted a careful survey of the records of all patients seen at Primary Children's Hospital with a diagnosis of croup over the past ten years. We have excluded from this survey epiglottitis and croup of noninfectious origin. We have recognized definite benefits and a total lack of sequelae over this ten-year period. Most significant is the total absence of tracheotomies and intubations for the past seven years and a corresponding absence of mortalities. Our experience over the past ten years has been 100 percent, that is, every patient who had croup responded dramatically to the IPPB therapy when it was given properly. The incidence of tracheotomies has dropped to zero in those patients who received IPPB. A few croup patients with severe obstruction failed to respond as expected. On these occasions the consulting anesthesiologist found either that the therapist had been using faulty equipment or had not followed the protocol. A subsequent properly given treatment was always followed by marked improvement.

—JOHN C. ADAIR, M.D., Salt Lake City
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